

Rates steady until 2006?

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MEMO to MAILERS

Action on pension plan funding is key

Customers could see their postage rates hold steady until at least 2006 — two years longer than previously expected — and the Postal Service could further reduce its debt if Congress passes legislation changing how USPS funds its portion of the Civil Service Retirement System (CSRS).

A new financial analysis by the Office of Personnel Management (OPM) shows that postal payments have almost fully funded all future retirement obligations for USPS employees and retirees enrolled in the CSRS.

Prior to this review, and based on current federal statutes, the Postal Service maintains a deferred liability of \$32 billion to reflect the retirement obligation and makes annual payments budgeted to fund the liability over 30 years. The new analysis shows the funding gap is only \$5 billion.

Congress would have to approve a change in the USPS payment schedule for the CSRS fund.

As a result of this legislative action, USPS could increase the amount available for debt reduction in fiscal year 2003 from \$800 million to more than \$3 billion, and stabilize current postage rates to 2006. Previously, postal officials said another general rate hike would be required in 2004.

Postmaster General John E. Potter said that the administration had drafted a bill to modify Postal Service funding requirements for CSRS.

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POSTALONE! INFO CENTRAL

Making it easier for customers to do business with the United States Postal Service is one of the prime elements of postal transformation. *PostalOne!* does just that by enabling an electronic link between USPS and its business mailers, allowing an exchange of information that benefits everyone involved with this type of mail.

In many ways, *PostalOne!* is a new workflow management tool for the mailing industry. It provides a one-stop shop for payment and other mailing information by offering an electronic suite of services that dramatically impacts the mailing process.

By capitalizing on new technology, *PostalOne!* improves the overall customer experience by automating and streamlining many of the cumbersome manual and hardcopy documentation processes used in the business mail production cycle. The system links the customer's mailing information with the Postal Service's acceptance, verification and payment systems. This electronic linkage enables the customer to gain access to a wealth of online information that customers can use to better manage their business.

"The basic principle of *PostalOne!* is simple — we want to make it easier for

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POSTALONE! INFO CENTRAL

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business mailers to do business with us," says Larry Goodman, manager, Business Customer Support Systems. "Business customers are linked electronically to internal postal operations, and the Postal Service is able to collect and evaluate business mail data more effectively."

Business mail customers generate about 73 percent of the Postal Service's total mail volume. The current information system, called PERMIT, was developed using early 1980s technology. *PostalOne!* will replace this with a full electronic suite of services to be developed over the next three years. Nationwide deployment of *PostalOne!* is planned by May 2005. Dozens of current users include many of the nation's largest business mailers.

"*PostalOne!* provides an integrated solution which yields production process improvements, reduces staging time, provides enhanced information on mail assignments and results in improved management of mail

volume," says John Crider, manager of postal affairs for Sprint, based in suburban Kansas City.

John Campanelli, president of R. R. Donnelley Logistics, which was awarded *PostalOne!* certification in 2001, said, "We will now be able to better serve our customers with the use of this system. We can electronically submit, track and review bulk mailings, which increases efficiency and timely delivery."

PostalOne! provides a single,

Web-based access point for mailing information. It enables customers to electronically send detailed mailing data through the industry's Mail.dat file standard. Customers using *PostalOne!* will no longer have to fill out manual postage statements because they are automatically generated by the *PostalOne!* system. They can download an estimated postage summary, view individual postage statements within a mailing, see a running total of postage state-

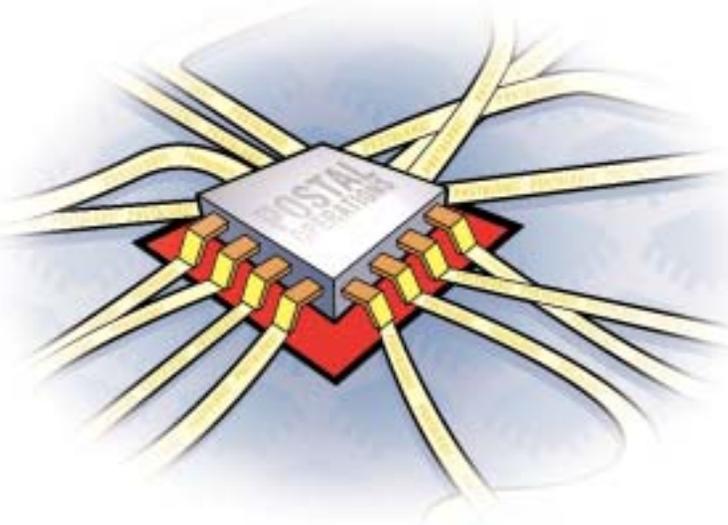
ment activity and view the reconciliation of the information at the end of the mailing job.

As an added benefit, the transportation-management function provides select users the ability to assign surface and air transportation assignments and to route mail right in the mailer's own plant. Customers can track their mailings more accurately by knowing the detailed routing of their mailing jobs.

"*PostalOne!* is truly a customer-focused system," says Goodman. "It acts as a gateway into the Postal Service for business mailers by providing essential status information about their mail to help them better plan and manage their program. In turn, it helps the Postal Service better identify, understand, manage and serve its business mail customers."

For more information about *PostalOne!*, please visit www.uspspostalone.com or call 800-522-9085.

Transformation: It's about making things happen. ■



USPS delivers on time for America

The Postal Service continues to achieve record-breaking delivery scores for First-Class Mail in the nation's major metropolitan areas.

First-Class Mail was delivered on time an average of 94 percent of the time during the last quarter of USPS's 2002 fiscal year. This is the second consecutive quarter in which delivery of First-Class Mail has met this benchmark. In addition, the last quarter of FY 2002 (May 18

through Sept. 6) was the 20th consecutive quarter — five years — that First-Class Mail has met or exceeded a delivery standard 93 percent, or more, of the time.

First-Class Mail delivery performance is measured externally and independently by Pricewaterhouse Coopers Consulting



using the External First-Class (EXFC) measurement system. EXFC externally measures collection box to mailbox delivery performance. EXFC continuously tests a panel of 463 ZIP Code areas selected on the basis of geographic and volume density

from which 90 percent of First-Class volume originates and 80 percent destines. EXFC is not a system-wide measurement of all First-Class Mail performance.

Also, the most recent Gallup survey shows 93 percent of households nationwide reported having a positive view of USPS. This is the fourth consecutive quarter in which ratings of overall performance have reached 93 percent. ■

Future for flats: *One package for each delivery point*

The Postal Service has introduced an updated corporate flats plan, which includes a long-term vision to create a system that will result in one package of letters and flats for each delivery point.

"The Postal Service has been very successful in automating the distribution of letter mail and this has allowed us to

Periodicals and Standard Mail, is a valuable source of revenue, Rapp told the Mailers' Technical Advisory Committee (MTAC). "However, because we did not apply technology to flats at the same rate as letters, both processing and delivery costs have steadily risen over the years," he says.

The Postal Service is committed to using technology to increase the number of flats sorted by automation and pledges to work with its

to mailpiece design or presorting and barcoding requirements.

The larger goal is to reduce the number of mailstreams that handle flats. "Our plan is to reduce the current four mailstreams, first to two — automated and manual — and then, hopefully, to one — Delivery Point Packaging (DPP) — if the technology is available," says Rapp.

USPS will continue to work with MTAC members on flats issues, both near-term and long-term. In the near-term, one challenge was to find a method for mailers to package and prepare flats that would allow

USPS to feed the Automated Flat Sorting Machine (AFSM) 100 in a more cost-effective and efficient manner. Largely due to the AFSM 100s, which are now deployed nationwide, flats

productivity in plants has increased almost 78 percent between the end of FY 2000 and today.

The corporate flats plan, however, is a long-term effort.

"DPP can't be done overnight," says Rapp. "The concept needs to be evaluated to determine feasibility, equipment costs and space requirements." And, perhaps most important, USPS needs to identify any potential customer impacts, he says.

Rapp says the Postal Service expects to have a DPP machine simulation available for evaluation during FY 2005 or the next year. If the DPP option is not feasible, USPS will pursue its second option — the Flats Sequencing System (FSS) which will be designed to sequence flat mail using two passes.

As the Postal Service looks to the future, the corporate flats plan will serve as the guiding principle, says Rapp, adding, "The savings potential of implementing Delivery Point Packaging in one step is very significant." ■

reduce processing costs while maintaining affordable rates," says John Rapp, senior vice president, Operations. "To meet the pledge of keeping mail service affordable for flats, the Postal Service is committed to achieving the types of breakthrough productivity it achieved with letter mail."

The Postal Service recognizes that flat mail, which includes

customers to improve flats processing, according to Rapp. USPS is taking actions on a daily basis to increase operational efficiency and reduce mail preparation costs, such as standardization. He says that customers will continue to be involved in this effort, but they also should expect potential changes



Scanning takes flight

Beginning next spring, the Postal Service will require airlines to scan mail they transport for USPS, using a technology called Surface Air Support System (SASS). SASS allows USPS to accurately measure mail volumes and contractors' on-time delivery performance.

"This technology will help the Postal Service ensure that America's postal customers are getting the best value for their postage," explains Paul Vogel, vice president, Network Operations Management, referring to the continued construction of the Information Platform. "The platform

leverages technology used to collect, process and deliver mail to tell postal management when and where the mail is so we can place the right resources in the right place at the right time."

USPS is negotiating a new contract with commercial air carriers to reflect these

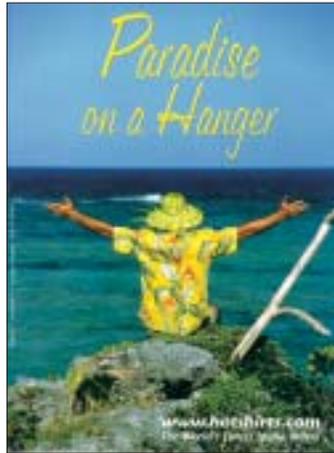
enhancements. The contract, scheduled to start May 2003, will include incentives based on contractor pricing, performance measurements and adjustments to mail assignments. ■

Aloha *pardner*

Think of Colorado and the mind imagines majestic mountain peaks, world-class skiing, sparkling snow-fed trout-filled streams and Hawaiian shirts.

Hawaiian shirts? Paradise is where you find it, according to Curielle Duffy, small business purveyor of “Aloha wear” through online and catalog sales — and delivered by Priority Mail.

“As you can imagine, selling Hawaiian shirts worldwide from rural western Colorado requires determined creativity and the willingness to chase after technological advantage (not to mention a healthy dose of chutzpah!)” says Duffy, who



describes her position as “Head Hula Girl” at Paradise on a Hanger, based in Crawford, CO. Duffy and her husband, Steve, own the

company, whose website is www.hotshirts.com.

Smart entrepreneurs turn to USPS for business solutions, and those solutions are no farther away than the post office. “Our local postmaster, Romaine D. Round, has been a real partner in our business,” says Duffy. “As a problem solver and advocate, he has helped us to save money and always given us the best advice on how to ship economically and meet our customers’ needs. If he doesn’t know the answer to a question, he finds out for us as soon as possible. And he always does it with a smile.”

Duffy says USPS has always provided an outstanding service at

a fair price, and packaging and shipping materials have proven invaluable. And as Paradise on a Hanger grows its business, revenue at this rural post office grows as well.

“Businesses such as Paradise on a Hanger represent a significant opportunity for the Postal Service, and it’s rewarding to learn that we’re meeting their needs,” says Chief Marketing Officer Anita Biz-zotto.

After all, paradise is a business that grows with the help of the United States Postal Service. ■

Solutions for small businesses

Improve your package flow with *USPS Shipping center*

Improve your cash flow with *USPS Online Payment Services*

Priority Mail. Express Mail. Parcel Post. Need delivery status information? Schedule a pickup? Want USPS shipping information on your website? For your small or large business, the Shipping center at www.usps.com is the one place for all your package shipping solutions. USPS can help you quickly choose the right service to meet your needs.

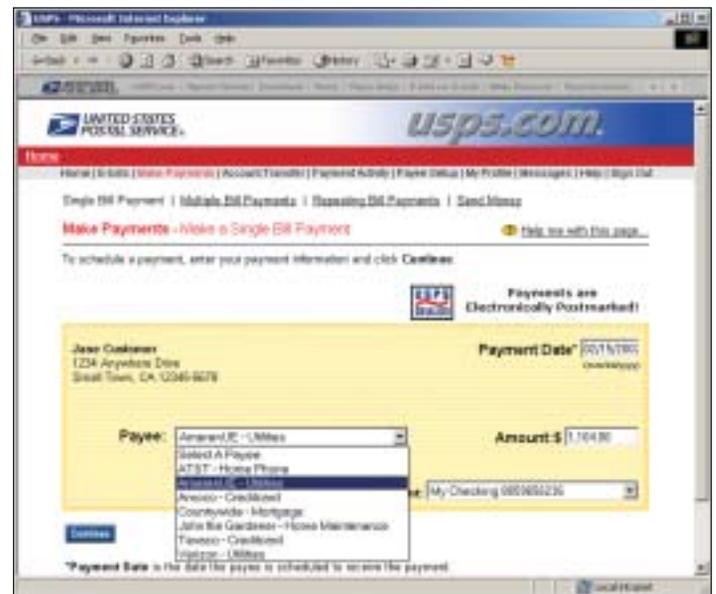
And then, when it’s time to manage your invoices, you can turn to USPS Online Payment Service. You’ve trusted the Postal Service to deliver your payments on time for years. Backed by the same level of security and reliability, USPS Online Payment Services allows small businesses to:

- Pay anyone electronically that you currently pay by check
- Schedule payments from up to 10 check writing accounts

- Transfer money between accounts to better manage cash flow
- Automatically pay for bills with fixed amounts each month
- Maintain an audit trail with detailed payment history
- Receive bills online from leading merchants such as AT&T and Sprint PCS
- Download payment information into Microsoft Money and Quicken

And best of all, payments are guaranteed to arrive on time as long as you schedule them in accordance with the service terms and conditions.

Visit www.usps.com/payment-services to see a demo or get more information. Check out the free three-month trial offer to help you get started. ■



Booking an overseas trip

Many people have a favorite bookstore. For some, that bookstore happens to be in Britain. WHSmith, one of the UK's largest booksellers, wanted to better serve its growing American home shopping market and it turned to the United States Postal Service for the solution.

The challenge was to reduce the seven to 10 days it took for book shipments from WHSmith Online, a business unit of WHSmith Retail Ltd., to reach its U.S. customers. The company also wanted to provide these customers with a way to check on the status of their shipment and allow verification of delivery.



Stuart Rivett, operations director of WHSmith Online, approached Mailroom Services director Mike Johnson, who suggested that WHSmith Online try USPS's Priority Mail service with Signature Confirmation. The company had previously been using a non-trackable mail service.

WHSmith Online — www.whsmith.co.uk — now ships all books to its American customers via USPS Priority Mail service. After all, best-sellers deserve the best delivery.

“One thing that customers like about this new system is its simplicity,” says Rivett. WHSmith Online uses its information technology to drive the shipping system. The firm created both a postal manifest and a customs manifest at the same time. The information is electronically transmitted to the U.S. Customs

broker and USPS as the plane leaves England.

In the United States, the bulk mail entry units in Los Angeles and New York are ready for the shipments when they arrive. With this type of close coordination, the books are often in the USPS system the same day they leave England.

“We now have greater control and visibility over our deliveries and we're able to give our customers enhanced service,” says Rivett.

For more information about services from Europe to the United States, please contact USPS's Global Package Services group at 703-292-3626. ■

"ROUND-UP NOTICE"



USPS needs your unused equipment back. Especially flat tubs... Please help us control costs by returning these items.

USPS DELIVERS THE DECLARATION OF INDEPENDENCE



The Declaration of Independence is touring the country for the next three-and-a-half years, and USPS will deliver it to the American people.

Television producer Norman Lear purchased a copy of the country's founding charter at auction in 2000 with the intent of bringing the "People's Document" to the people of the nation.



The Declaration of Independence Road Trip is a multimedia mobile exhibit designed to inspire civic activism, especially in young people. The road trip kicked off Sept. 13 in Charleston, SC.



A post office *transformation*

The Postal Service announced it will transfer ownership of its historic Farley Post Office building in New York City to the Pennsylvania Station Redevelopment Corp., which plans to transform the national historic landmark into a major transportation terminal.

The change in ownership will be transparent to postal customers, since the retail lobby and other services will be retained.

"We are proud to be part of Manhattan's revitalization," says Postmaster General and native New Yorker, John E. Potter, "but we are not going anywhere. We will continue to serve our customers at this building as we have since 1912."

Following routine environmental reviews, the parties intend to enter



The historic Farley Post Office building in New York City will become a centerpiece of that city's Pennsylvania Station redevelopment project.

into a formal contract of sale. Ownership of the building is expected to be transferred to the Pennsylvania Station Redevelopment Corp., which is a subsidiary of the Empire State

Development Corp., within one year. Terms of the sale were not disclosed pending finalization of agreements.

The building's famous front facade bears the inscription: "Nei-

ther snow nor rain nor heat nor gloom of night stays these couriers from the swift completion of their appointed rounds."

USPS will continue to occupy about 250,000 square feet of the 1.5 million square-foot building, which covers two full city blocks. Retail lobby and other services will be retained, including Express Mail, mail delivery, truck platforms and a stamp depository. Administrative offices for the New York District will also be headquartered there.

All mail processing operations will be relocated to the Morgan Processing and Distribution Center. All other administrative functions now in the Farley Building will be moved to the Church Street Processing and Distribution Center. ■

The early bird catches the *info online*

Package customers taking advantage of "early-bird" Parcel Select Destination Delivery Unit acceptance hours can now find postal facility drop-ship locations online at www.usps.com.

"Parcel Select mailers asked and we responded," says Chief Operating Officer Pat Donahoe. "They wanted early-bird hours, and we wanted their business, so we opened at five in the morning. Many of the packages dropped during our early-bird hours will be delivered the same day, with the rest the next day."

Donahoe said the Web listing is an enhancement to an initiative announced in September that

opened the doors of more than 1,000 of the nation's largest postal facilities to Parcel Select customers well before sunrise.

Parcel Select service allows high-volume shippers to earn discounts by bypassing processing operations to enter parcels into the mailstream as close as possible to the delivery post office. Early-bird hours benefit the mailers because they allow the mail to be introduced into the system earlier in the process.

Customers can get the listing of drop-ship locations at www.usps.com by clicking "Destination Delivery Unit" to download Excel spreadsheets. ■

Action on pension plan funding is key continued from page 1

By extending the rate cycle, said Potter, "customers will be able to focus on growing their use of the mail."

Potter cautioned, "No one should be lulled into a sense of complacency that all is right with the nation's postal system. That's simply not true."

He says the nation "still faces a long-term challenge to continue postal services to everyone, everywhere while financing the costs of our growing nationwide delivery network."

Potter said he would maintain management's focus on providing excellent service, increasing productivity, continuing smart cost-cutting activities and streamlining postal operations through the use of existing technologies.

"I remain committed to the Postal Service's Transformation Plan, taking \$5 billion out of our operating expenses through 2006, over and above the savings we expect to realize by implementing the legislative changes connected with our CSRS funding," he said. ■

FYI The latest edition of *The Postal Service Guide to U.S. Stamps* is now available at post offices and through 800-STAMP-24 and The Postal Store at www.usps.com. The price is \$18.95. The guide contains nearly 600 pages of pictures, descriptions and values for U.S. stamps dating back to 1847.

POSTAL NEWS BRIEFS

A YEAR AND 900,000 CHANGES LATER

The Postal Service has processed more than 900,000 Internet Change-of-Address (ICOA) requests since November 2001 when the electronic form became available at www.usps.com, resulting in an estimated cost savings of \$765,000.

USPS processes 40 million address changes each year. While the traditional PS Form 3575, *Change of Address Order*, is still available at all post offices, ICOA requests greatly reduce USPS costs by automating many of the manual processes associated with the paper form.

ICOA requests also improve address quality by standardizing the old and new addresses with ZIP+4 Codes as customers enter their address information online at the MoversGuide Online website at www.usps.com.

The ICOA initiative is the result of a strategic alliance between Imagitas and USPS's Office of Address Management.

USPS AWARDS BANK CONTRACT

The Postal Service signed agreements with Union Bank of California to provide depository services for 2,059 post offices in California with annual deposits of approximately \$6 billion.

This contract is part of the Postal Service's overall treasury management strategy to ensure efficiency in its cash management, helping Americans get the best value for the postage they pay. As part of this strategy, USPS has reduced the number of banks it uses for cash management from more than 5,000 to less than 30 during the past five years.

"The Postal Service sought a provider based on a best-value

award process that could maximize cash availability, minimize deposit account balances and increase the efficiency of information flows between the bank and the Postal Service," according to USPS Vice President and Treasurer Robert Pedersen.

WORKSHARE DISCOUNT

The Postal Service has filed a case with the Postal Rate Commission to provide mailers of small circulation periodicals a way to achieve worksharing discounts enjoyed by large mailers.

The case seeks a two-year experimental mail classification for co-palletization dropship discounts for Periodicals. The discounts are designed to provide an additional incentive for publishers, printers and consolidators to combine different publications or print runs on pallets, avoiding the need for sacks — a benefit to mailers and USPS.

One objective of the Postal Service's Transformation Plan is the use of service enhancements, ease of use and pricing incentives to add customer value to its products and services.



The American Filmmaking: Behind the Scenes stamps, to be issued in February 2003, salute the men and women who work behind the scenes to create movie magic.

NEWOFFICE HELPER



These Holiday Snowmen are available in linerless, self-adhesive coils of 100 stamps. A newly developed dispenser makes Tape Stamps even more convenient than ever.

Environmentally and fiscally friendly

The Postal Service has rolled out the nation's largest fleet of electric vehicles (EVs) — nearly 400 of them — in Los Angeles.

The gas-saving, battery-powered, environmentally friendly EVs were purchased through a unique money-saving partnership with the state of California, Mobile Source Air Pollution Reduction Committee and Los Angeles Department of Water and Power.

The EVs generate no exhaust and are quiet. They don't waste energy while idling, making them ideally suited to mail carriers' stop-and-go routine.



Los Angeles City Council member Tom LaBonge takes the keys from Letter Carrier Angelica Quezada to take the electric long-life postal vehicle on a test drive. Looking on is Letter Carrier Rico McFarland.

It's estimated that gasoline-powered cars in Los Angeles waste roughly 72 million gallons of fuel each year sitting in traffic.

EVs can be driven 50 miles before recharging and can accelerate from zero to 50 miles-per-hour in 12.5 seconds, similar to gasoline-powered counterparts. ■

MEMO to MAILERS

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Change Service Requested

Stick with success

Note this: You can enhance your direct mail and increase response rates with Repositionable Notes (RPNs).

Halfway through a one-year pilot program, 20 USPS customers have tried RPNs and more than 1.4 million mailpieces have been processed successfully. Participants in the pilot test — including publishers, financial institutions and non-profit groups — report getting a lift in their response rates from using these notes.

A key feature of RPNs is their sticking power. Put a note on the outside of a mailpiece with a phone number or Internet address and the recipient can remove the note and put it somewhere handy — on a computer, refrigerator or phone.

The pilot test, continuing through February 2003, allows customers to affix RPNs to the outside of barcoded, ZIP+4, automation-compatible letter and postcard-size First-Class Mail and

Standard Mail pieces. For more information, contact: Manager, Product Management — Letters, 1735 N. Lynn Street, Arlington, VA 22209-6043, or e-mail reppnotes@usps.com. ■

